

**CITY OF ARNOLDS PARK  
INDEPENDENT AUDITORS' REPORTS  
PRIMARY GOVERNMENT  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND SCHEDULE OF FINDINGS  
JUNE 30, 2008**

# CITY OF ARNOLDS PARK

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# CITY OF ARNOLDS PARK

## CITY OFFICIALS

(Before January 2008)

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Mike Mitchell	Mayor	December 31, 2007
Susan Munsen	Mayor Pro-Tem	December 31, 2007
Mitchell Watters	Council Member	December 31, 2009
Mike Koppert	Council Member	December 31, 2009
James D. Jensen	Council Member	December 31, 2007
Jason Christensen	Council Member	December 31, 2007
Ron Walker	Clerk Administrator	December 31, 2007
Doug Noble	City Treasurer	December 31, 2007
Harold White	City Attorney	December 31, 2007

(After January 1, 2008)

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Mike Mitchell	Mayor	December 31, 2009
Jason Christensen	Mayor Pro-Tem	December 31, 2011
Mitchell Watters	Council Member	December 31, 2009
Mike Koppert	Council Member	December 31, 2009
James D. Jensen	Council Member	December 31, 2011
John Adams	Council Member	December 31, 2011
Ron Walker	Clerk Administrator	December 31, 2009
Doug Noble	City Treasurer	December 31, 2009
Harold White (through February 27, 2008)	City Attorney	December 31, 2009
Kevin Sander (beginning February 28, 2008)	City Attorney	December 31, 2009

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Arnolds Park  
Arnolds Park, IA 51331

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of the primary government of the City of Arnolds Park, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits, contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements do not include financial data for the City's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the component unit required to be discretely presented totaling \$1,960,339, \$1,008,161, \$952,178, \$358,505, and \$392,151, respectively, have not been reported.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity

with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component unit of the City of Arnolds Park, Iowa, as of June 30, 2008, or the changes in financial position thereof for the year then ended.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, and each major fund for the primary government of the City of Arnolds Park at June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2008 on our consideration of the City of Arnolds Park's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 16 through 18 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insight on that information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Arnolds Park's basic financial statements. The financial statements for the year ended June 30, 2005 (not presented herein) were previously audited, in accordance with the standards referred to in the second paragraph of this report, by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the two years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Wintner, Steve & Co. LLP". The signature is written in dark ink and is located in the lower right portion of the page.

October 21, 2008

## **BASIC FINANCIAL STATEMENTS**

CITY OF ARNOLDS PARK  
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

		<u>Program Receipts</u>		
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety .....	\$ 572,769	\$ 67,356	\$ -	\$ -
Public works .....	376,570	164,946	99,552	-
Culture and recreation .....	131,915	43,250	22,208	-
Community and economic development.	129,663	-	-	-
General government .....	412,201	-	-	-
Debt service .....	680,916	-	-	-
Capital projects .....	1,659,099	-	-	190,800
Total governmental activities	<u>3,963,133</u>	<u>275,552</u>	<u>121,760</u>	<u>190,800</u>
Business-type activities:				
Water .....	271,347	272,070	-	-
Sewer .....	154,516	162,903	-	-
Total business-type activities	<u>425,863</u>	<u>434,973</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 4,388,996</u>	<u>\$ 710,525</u>	<u>\$ 121,760</u>	<u>\$ 190,800</u>

General Receipts:

Property tax levied for:	
General purposes .....	
Tax increment financing collections .....	
Debt service .....	
Local option sales tax .....	
Hotel/motel tax .....	
Other city tax .....	
Unrestricted interest on investments .....	
Bond proceeds.....	
Miscellaneous .....	
Total general receipts	

Change in cash basis net assets

Cash basis net assets - beginning of year

Cash basis net assets - end of year

Cash basis net assets

Restricted:	
Streets	
Urban renewal purposes	
Debt service	
Capital projects	
Unrestricted	

Total cash basis net assets

See Notes to Financial Statements

CITY OF ARNOLDS PARK  
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (505,413)	\$ -	\$ (505,413)
(112,072)	-	(112,072)
(66,457)	-	(66,457)
(129,663)	-	(129,663)
(412,201)	-	(412,201)
(680,916)	-	(680,916)
(1,468,299)	-	(1,468,299)
<u>(3,375,021)</u>	<u>-</u>	<u>(3,375,021)</u>
-	723	723
-	8,387	8,387
-	<u>9,110</u>	<u>9,110</u>
<u>(3,375,021)</u>	<u>9,110</u>	<u>(3,365,911)</u>
725,511	-	725,511
657,508	-	657,508
425	-	425
213,695	-	213,695
242,172	-	242,172
22,309	-	22,309
160,904	-	160,904
2,000,000	-	2,000,000
85,150	-	85,150
<u>4,107,674</u>	<u>-</u>	<u>4,107,674</u>
732,653	9,110	741,763
<u>2,582,844</u>	<u>64,198</u>	<u>2,647,042</u>
<u>\$ 3,315,497</u>	<u>\$ 73,308</u>	<u>\$ 3,388,805</u>
\$ 36,456	\$ -	\$ 36,456
32,673	-	32,673
51,470	-	51,470
2,223,293	-	2,223,293
<u>971,605</u>	<u>73,308</u>	<u>1,044,913</u>
<u>\$ 3,315,497</u>	<u>\$ 73,308</u>	<u>\$ 3,388,805</u>

See Notes to Financial Statements



CITY OF ARNOLDS PARK  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30,2008

		Special Revenue		
			Urban	
	<u>General</u>	<u>Road Use</u>	<u>Renewal Tax</u>	<u>Local Option</u>
		<u>Tax</u>	<u>Increment</u>	<u>Sales Tax</u>
RECEIPTS:				
Property tax .....	\$ 725,511	\$ -	\$ -	\$ -
Tax increment financing collections .....	-	-	657,508	-
Other city tax .....	264,481	-	-	213,695
Licenses and permits .....	19,952	-	-	-
Use of money and property .....	44,778	-	-	-
Intergovernmental .....	22,208	99,552	-	-
Charges for service .....	275,552	-	-	-
Miscellaneous .....	65,198	-	-	-
TOTAL RECEIPTS	<u>1,417,680</u>	<u>99,552</u>	<u>657,508</u>	<u>213,695</u>
DISBURSEMENTS:				
Operating:				
Public safety .....	572,769	-	-	-
Public works .....	282,907	93,663	-	-
Culture and recreation .....	131,915	-	-	-
Community and economic development .....	129,663	-	-	-
General government .....	412,201	-	-	-
Debt service .....	-	-	-	-
Capital projects .....	-	-	-	-
TOTAL DISBURSEMENTS	<u>1,529,455</u>	<u>93,663</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(111,775)</u>	<u>5,889</u>	<u>657,508</u>	<u>213,695</u>
OTHER FINANCING SOURCES (USES):				
Bond proceeds .....	-	-	-	-
Operating transfers in (out) .....	<u>665,500</u>	<u>-</u>	<u>(681,093)</u>	<u>(230,500)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>665,500</u>	<u>-</u>	<u>(681,093)</u>	<u>(230,500)</u>
NET CHANGES IN CASH BALANCES	553,725	5,889	(23,585)	(16,805)
CASH BALANCES - BEGINNING OF YEAR	<u>397,887</u>	<u>30,567</u>	<u>56,258</u>	<u>36,798</u>
CASH BALANCES - END OF YEAR	<u>\$ 951,612</u>	<u>\$ 36,456</u>	<u>\$ 32,673</u>	<u>\$ 19,993</u>
CASH BASIS FUND BALANCES:				
Reserved for debt service .....	\$ -	\$ -	\$ -	\$ -
Unreserved:				
General fund .....	951,612	-	-	-
Special revenue funds .....	-	36,456	32,673	19,993
Capital projects funds .....	-	-	-	-
TOTAL CASH BASIS FUND BALANCES	<u>\$ 951,612</u>	<u>\$ 36,456</u>	<u>\$ 32,673</u>	<u>\$ 19,993</u>

See Notes to Financial Statements

CITY OF ARNOLDS PARK  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30,2008

Exhibit B

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 425	\$ -	\$ 725,936
-	-	657,508
-	-	478,176
-	-	19,952
-	116,126	160,904
-	184,239	305,999
-	-	275,552
-	6,561	71,759
<u>425</u>	<u>306,926</u>	<u>2,695,786</u>
-	-	572,769
-	-	376,570
-	-	131,915
-	-	129,663
-	-	412,201
680,916	-	680,916
-	1,659,099	1,659,099
<u>680,916</u>	<u>1,659,099</u>	<u>3,963,133</u>
<u>(680,491)</u>	<u>(1,352,173)</u>	<u>(1,267,347)</u>
-	2,000,000	2,000,000
681,093	(435,000)	-
<u>681,093</u>	<u>1,565,000</u>	<u>2,000,000</u>
602	212,827	732,653
<u>50,868</u>	<u>2,010,466</u>	<u>2,582,844</u>
<u>\$ 51,470</u>	<u>\$ 2,223,293</u>	<u>\$ 3,315,497</u>
\$ 51,470	\$ -	\$ 51,470
-	-	951,612
-	-	89,122
-	2,223,293	2,223,293
<u>\$ 51,470</u>	<u>\$ 2,223,293</u>	<u>\$ 3,315,497</u>

See Notes to Financial Statements

CITY OF ARNOLDS PARK  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Exhibit C

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING RECEIPTS:			
Charges for service .....	\$ 272,070	\$ 162,903	\$ 434,973
TOTAL OPERATING RECEIPTS	<u>272,070</u>	<u>162,903</u>	<u>434,973</u>
DISBURSEMENTS:			
Business-type activities .....	271,347	154,516	425,863
TOTAL OPERATING DISBURSEMENTS	<u>271,347</u>	<u>154,516</u>	<u>425,863</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	723	8,387	9,110
CASH BALANCE - BEGINNING OF YEAR	<u>19,494</u>	<u>44,704</u>	<u>64,198</u>
CASH BALANCE - END OF YEAR	<u>\$ 20,217</u>	<u>\$ 53,091</u>	<u>\$ 73,308</u>
CASH BASIS FUND BALANCE:			
Unreserved .....	<u>\$ 20,217</u>	<u>\$ 53,091</u>	<u>\$ 73,308</u>

See Notes to Financial Statements

CITY OF ARNOLDS PARK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Arnolds Park is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1897 and operates under the Home Rule provisions of the Constitution of Iowa and under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, public improvements, and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City is considered a primary government and has excluded the financial data of its component unit, Central Water System. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. A component unit is a legally separate entity for which the City is financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. Since these financial statements do not include the City's component unit, they do not purport to be prepared in conformity with U.S. generally accepted accounting principles as they relate to the exclusion of this component unit.

Central Water System (System) is considered a component unit of the City of Arnolds Park. The financial statements of this component unit are separately audited and are presented on the accrual basis of accounting. Complete financial statements of Central Water System can be obtained from their administrative offices. The City participates with the City of Okoboji in the operation of the System, which is organized under the Code of Iowa, Chapter 28E, and provides water system services to the two municipalities and an unrelated regional water system. The System is operated by the parties through a joint Board of Directors consisting of one member from each city council, or such other individual as that council shall designate, and a third member appointed and approved by a majority vote of the city councils of the municipalities. Water services purchased by the City from the System during the year ended June 30, 2008 totaled \$170,846, approximately 51% of total System revenues.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: Upper Des Moines Opportunity Board, Dickinson County Emergency Management Commission, Dickinson County Sanitary Landfill Commission, Dickinson County Water Quality Commission, Dickinson County Assessor's Conference Board, and Dickinson County Joint E911 Service Board.

## **B. Basis of Presentation**

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

### **Special Revenue:**

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for unspent local option sales tax receipts.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer.

### **C. Measurement Focus and Basis of Accounting**

The City of Arnolds Park maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

### **D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the debt service function.

## **2. CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2008 were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; and certain registered open-end management investment companies.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

### 3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 465,000	\$ 327,321
2010	485,000	312,679
2011	465,000	296,311
2012	380,000	280,526
2013	475,000	267,206
2014 - 2018	2,335,000	1,073,431
2019 - 2023	2,885,000	574,890
2024 - 2027	<u>1,015,000</u>	<u>83,733</u>
Total	<u>\$8,505,000</u>	<u>\$3,216,097</u>

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

### 4. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the year ended June 30, 2008, 2007, and 2006, were \$43,307, \$38,769, and \$32,918, respectively, equal to the required contribution for the year.

### 5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2008 is \$16,424, primarily relating to the General Fund. This liability has been computed based on rates of pay as of June 30, 2008.

As sick leave is not payable upon termination, retirement or death, the minimum accumulated sick leave is not presented as part of these financial statements.

## 6. RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2008 were \$44,443.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of



membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## 7. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfers to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local option sales tax	\$ 215,500
	Capital Projects	<u>450,000</u>
		665,500
Debt Service	Special Revenue:	
	Urban renewal - tax increment	681,093
Capital Projects	Special Revenue:	
	Local option sales tax	<u>15,000</u>
Total		<u>\$1,361,593</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

## 8. RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$767 during the year ended June 30, 2008.

## 9. LITIGATION

The City is party to routine legal proceedings and litigation arising in the normal course of business. In the opinion of management, the outcome of such actions will have no material impact on the City's financial condition.

## 10. OPERATING LEASES

The City has entered into two operating agreements to lease a payload and mailing system. The following is a schedule of the future minimum lease payments.

<u>Year Ending</u> <u>June 30,</u>	<u>Payloader</u>	<u>Mailing System</u>	<u>Total</u>
2009	\$ 9,905	\$ 564	\$10,469
2010	9,905	564	10,469
2011	9,905	564	10,469
2012	<u>          </u>	<u>282</u>	<u>282</u>
Total	<u>\$29,715</u>	<u>\$ 1,974</u>	<u>\$31,689</u>

Payments under operating lease agreements totaled \$10,469 for the year ended June 30, 2008.

## 11. COMMITMENTS

At June 30, 2008, the City has entered into construction contracts for street and park improvements totaling approximately \$1,414,391 of which approximately \$389,214 remained outstanding. The balance on the contracts will be paid as the projects progress.

The City has agreed to pay approximately \$700,000 for its share of a joint construction project with the State of Iowa. Although the project was completed in a prior fiscal year, the City has not been billed by the State.

The City has entered into a contract for a ladder truck (one-half interest) totaling \$525,000 with no payments made. The contract will be paid when the vehicle is placed into service.

## 12. SUBSEQUENT EVENTS

Subsequent to year end, the City entered into construction contracts for street projects, maintenance building, and trails lighting totaling \$1,486,437.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ARNOLDS PARK  
BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds not Required to be <u>Budgeted</u>
RECEIPTS:			
Property tax .....	\$ 725,936	\$ -	\$ -
Tax increment financing collections .....	657,508	-	-
Other city tax .....	478,176	-	-
Licenses and permits .....	19,952	-	-
Use of money and property .....	160,904	-	-
Intergovernmental .....	305,999	-	-
Charges for service .....	275,552	434,973	-
Special Assessments.....	-	-	-
Miscellaneous .....	71,759	-	-
TOTAL RECEIPTS	<u>2,695,786</u>	<u>434,973</u>	<u>-</u>
DISBURSEMENTS:			
Public safety .....	572,769	-	-
Public works .....	376,570	-	-
Culture and recreation .....	131,915	-	-
Community and economic development .....	129,663	-	-
General government .....	412,201	-	-
Debt service .....	680,916	-	-
Capital projects .....	1,659,099	-	-
Business-type activities .....	-	425,863	-
TOTAL DISBURSEMENTS	<u>3,963,133</u>	<u>425,863</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,267,347)	9,110	-
OTHER FINANCING SOURCES .....	<u>2,000,000</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS	732,653	9,110	-
CASH BALANCES - BEGINNING OF YEAR	<u>2,582,844</u>	<u>64,198</u>	<u>-</u>
CASH BALANCES - END OF YEAR	<u>\$ 3,315,497</u>	<u>\$ 73,308</u>	<u>\$ -</u>

See Accompanying Independent Auditors' Report

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 725,936	\$ 711,163	\$ 711,163	\$ 14,773
657,508	705,561	705,561	(48,053)
478,176	387,073	427,073	51,103
19,952	7,000	7,000	12,952
160,904	147,500	147,500	13,404
305,999	200,533	482,647	(176,648)
710,525	605,400	730,400	(19,875)
-	30,834	30,834	(30,834)
71,759	90,660	92,132	(20,373)
<u>3,130,759</u>	<u>2,885,724</u>	<u>3,334,310</u>	<u>(203,551)</u>
572,769	534,183	634,183	61,414
376,570	494,019	494,019	117,449
131,915	133,597	133,597	1,682
129,663	90,000	130,000	337
412,201	544,860	544,860	132,659
680,916	635,890	635,890	(45,026)
1,659,099	1,819,071	1,997,000	337,901
425,863	402,500	527,500	101,637
<u>4,388,996</u>	<u>4,654,120</u>	<u>5,097,049</u>	<u>708,053</u>
(1,258,237)	(1,768,396)	(1,762,739)	504,502
<u>2,000,000</u>	<u>-</u>	<u>1,450,231</u>	<u>549,769</u>
741,763	(1,768,396)	(312,508)	<u>\$ 1,054,271</u>
<u>2,647,042</u>	<u>2,438,720</u>	<u>2,438,720</u>	
<u>\$ 3,388,805</u>	<u>\$ 670,324</u>	<u>\$ 2,126,212</u>	

See Accompanying Independent Auditors' Report

CITY OF ARNOLDS PARK  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
JUNE 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$442,929. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the debt service function.

## OTHER SUPPLEMENTARY INFORMATION

CITY OF ARNOLDS PARK  
SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2008

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Capital Notes:			
Essential corporate purpose	June 1, 1998	4.55 - 4.70%	\$ 390,000
General Obligation Bonds:			
Urban renewal	May 1, 2003	2.30 - 4.30%	2,300,000
Essential corporate purpose	October 1, 2005	3.75 - 4.375%	1,585,000
Essential corporate purpose	November 1, 2007	3.50 - 4.20%	2,000,000
General Obligation Refunding Capital Notes:			
Essential corporate purpose	March 1, 2003	2.50 - 3.45%	850,000
General Obligation Refunding Bonds:			
Essential corporate purpose	October 1, 2005	3.30 - 4.05%	2,930,000



<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 105,000		\$ 35,000	\$ 70,000	\$ 4,865	
1,995,000		90,000	1,905,000	74,837	
1,585,000			1,585,000	65,949	
	\$2,000,000		2,000,000	45,203	
555,000		130,000	425,000	16,268	
<u>2,640,000</u>	<u>                    </u>	<u>120,000</u>	<u>2,520,000</u>	<u>98,794</u>	
<u>\$6,880,000</u>	<u>\$2,000,000</u>	<u>\$ 375,000</u>	<u>\$8,505,000</u>	<u>\$305,916</u>	

CITY OF ARNOLDS PARK  
BOND AND NOTE MATURITIES  
JUNE 30, 2008

General Obligation Bonds and Notes								
Essential Corporate Purpose								
Year Ending June 30,	<u>Issued 6-1-1998</u>		<u>Issued 3-1-2003</u>		<u>Issued 10-1-2005</u>		<u>Issued 10-1-2005</u>	
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>
2009	4.65%	\$ 35,000	2.80%	\$130,000			3.35%	\$ 120,000
2010	4.70	35,000	3.05	135,000			3.45	165,000
2011			3.25	130,000			3.55	165,000
2012			3.45	30,000			3.60	165,000
2013					3.75%	\$ 100,000	3.65	210,000
2014					3.80	95,000	3.70	210,000
2015					3.90	90,000	3.75	205,000
2016					4.00	5,000	3.80	255,000
2017					4.00	10,000	3.85	250,000
2018					4.10	15,000	3.90	245,000
2019					4.125	10,000	4.00	265,000
2020					4.125	25,000	4.05	265,000
2021					4.15	250,000		
2022					4.20	235,000		
2023					4.25	300,000		
2024					4.30	350,000		
2025					4.375	100,000		
2026								
2027								
TOTALS		<u>\$ 70,000</u>		<u>\$425,000</u>		<u>\$1,585,000</u>		<u>\$2,520,000</u>

General Obligation Bonds and Notes				
Essential Corporate Purpose		Urban Renewal		
Issued 11-1-2007		Issued 3-1-2003		
Interest Rate	Amount	Interest Rate	Amount	Total
3.50%	\$ 70,000	2.65%	\$ 110,000	\$ 465,000
3.55	75,000	3.00	75,000	485,000
3.55	75,000	3.20	95,000	465,000
3.60	80,000	3.30	105,000	380,000
3.65	85,000	3.40	80,000	475,000
3.65	85,000	3.50	95,000	485,000
3.70	90,000	3.60	110,000	495,000
3.70	95,000	3.75	75,000	430,000
3.75	100,000	3.90	90,000	450,000
3.80	105,000	4.00	110,000	475,000
3.85	105,000	4.05	100,000	480,000
3.95	110,000	4.10	120,000	520,000
4.00	115,000	4.20	420,000	785,000
4.00	120,000	4.30	320,000	675,000
4.00	125,000			425,000
4.00	130,000			480,000
4.10	140,000			240,000
4.15	145,000			145,000
4.20	150,000			150,000
	<u>\$2,000,000</u>		<u>\$1,905,000</u>	<u>\$8,505,000</u>

CITY OF ARNOLDS PARK  
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -  
 ALL GOVERNMENTAL FUNDS  
 FOR THE LAST FOUR YEARS  
 YEAR ENDED JUNE 30, 2008

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
RECEIPTS:				
Property tax .....	\$ 725,936	\$ 690,951	\$ 561,051	\$ 533,685
Tax increment financing collections .....	657,508	587,696	609,254	636,830
Other city tax .....	478,176	395,740	328,165	355,572
Licenses and permits .....	19,952	17,332	12,669	14,911
Use of money and property .....	160,904	246,899	174,565	38,828
Intergovernmental .....	305,999	790,700	1,380,240	120,886
Charges for service .....	275,552	267,713	178,327	159,328
Special assessments .....	-	59,449	56,836	59,403
Miscellaneous .....	71,759	129,094	221,886	507,963
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL	<u>\$ 2,695,786</u>	<u>\$ 3,185,574</u>	<u>\$ 3,522,993</u>	<u>\$ 2,427,406</u>
DISBURSEMENTS:				
Operating:				
Public safety .....	572,769	541,017	475,152	592,769
Public works .....	376,570	409,110	356,311	346,028
Culture and recreation .....	131,915	135,879	126,096	100,940
Community and economic development	129,663	99,155	84,353	101,098
General government .....	412,201	367,160	357,747	337,188
Debt service .....	680,916	829,771	864,169	552,752
Capital projects .....	1,659,099	1,484,140	1,944,811	950,488
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL	<u>\$ 3,963,133</u>	<u>\$ 3,866,232</u>	<u>\$ 4,208,639</u>	<u>\$ 2,981,263</u>

CITY OF ARNOLDS PARK  
COMBINING SCHEDULE OF CASH TRANSACTIONS  
GENERAL FUND  
YEAR ENDED JUNE 30, 2008

Schedule 4

	<u>Operating</u>	<u>Special Electric</u>	<u>Equipment Revolving</u>	<u>Employee Benefits</u>	<u>Total</u>
RECEIPTS:					
Property tax .....	\$ 725,511	\$ -	\$ -	\$ -	\$ 725,511
Other city tax .....	264,481	-	-	-	264,481
Licenses and permits .....	19,952	-	-	-	19,952
Use of money and property .....	44,778	-	-	-	44,778
Intergovernmental .....	22,208	-	-	-	22,208
Charges for service .....	275,552	-	-	-	275,552
Miscellaneous .....	56,090	-	9,108	-	65,198
TOTAL RECEIPTS	<u>1,408,572</u>	<u>-</u>	<u>9,108</u>	<u>-</u>	<u>1,417,680</u>
DISBURSEMENTS:					
Operating:					
Public safety .....	509,250	-	19,598	43,921	572,769
Public works .....	263,557	-	15,782	3,568	282,907
Culture and recreation .....	123,189	-	-	8,726	131,915
Community and economic development	129,663	-	-	-	129,663
General government .....	393,598	-	-	18,603	412,201
TOTAL DISBURSEMENTS	<u>1,419,257</u>	<u>-</u>	<u>35,380</u>	<u>74,818</u>	<u>1,529,455</u>
DEFICIENCY OF RECEIPTS UNDER DISBURSEMENTS	(10,685)	-	(26,272)	(74,818)	(111,775)
OTHER FINANCING SOURCES	<u>19,860</u>	<u>-</u>	<u>570,500</u>	<u>75,140</u>	<u>665,500</u>
NET CHANGES IN FUND BALANCES	9,175	-	544,228	322	553,725
FUND BALANCES - BEGINNING OF YEAR	<u>326,348</u>	<u>96,742</u>	<u>19,113</u>	<u>(44,316)</u>	<u>397,887</u>
FUND BALANCES - END OF YEAR	<u>\$ 335,523</u>	<u>\$ 96,742</u>	<u>\$563,341</u>	<u>\$(43,994)</u>	<u>\$ 951,612</u>

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

To the Honorable Mayor and  
Members of the City Council  
City of Arnolds Park  
Arnolds Park, IA 51331

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the primary government of the City of Arnolds Park, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 21, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Arnolds Park's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, one of which we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be

prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Arnolds Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Arnolds Park and other parties to whom the City of Arnolds Park may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Arnolds Park during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



October 21, 2008

CITY OF ARNOLDS PARK  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008

**Part I: Findings Related to the Financial Statements**

**Significant Deficiencies:**

- I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response accepted.

- I-B-08 Reporting Financial Data - Reporting financial data reliably on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles, requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. As is a common situation in small entities, management presently does not have the qualifications and training to completely fulfill these responsibilities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses would improve management's ability to prepare and take complete responsibility for reliable cash basis financial statements.

Response - Management will consider steps which could be taken to improve the ability to prepare and take complete responsibility for reliable cash basis financial statements.

Conclusion - Response accepted.

**Instances of Noncompliance:**

No matters were reported.



CITY OF ARNOLDS PARK  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2008

**Part II: Other Findings Related to Statutory Reporting**

- II-A-08 Certified Budget - Disbursements for the year ended June 30, 2008 exceeded the amounts budgeted in the debt service function. In addition, disbursements in the community and economic development function exceeded the amounts budgeted prior to the budget amendment. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements - We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-08 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-08 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Walker Insurance Agency, owner is spouse of City Administrator	Insurance	\$ 767

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction does not appear to represent a conflict of interest since the transaction was less than \$1,500 during the fiscal year.

- II-E-08 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- II-F-08 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

- II-G-08 Revenue Notes - The City had no revenue notes outstanding during the year.

- II-H-08 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.